Warsaw, 25 March 2015

Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Exposure Draft ED/2014/5 – Classification and Measurement of Share-based Payment Transactions

The Komitet Standardów Rachunkowości (Polish Accounting Standards Committee, KSR) is pleased to respond to the invitation by the IASB to comment on the Exposure Draft, 'Classification and Measurement of Share-based Payment Transactions' (the 'Exposure Draft').

Our answers to the specific questions in the Exposure Draft are included in the Appendix.

Yours sincerely,

Joanna Dadacz

Chairman
Polish Accounting Standards Committee
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c/c EFRAG

APPENDIX

Question 1 – Measurement of cash-settled share based payments

The IASB proposes to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2.

Do you agree? Why or why not?

We agree with the proposed clarification. We believe that the treatment of vesting and non-vesting conditions shall be the same regardless whether an award is classified as equity-settled or cash-settled.

Question 2 – Classification of awards with net settlement features relating to withholding taxes

The IASB proposes to specify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature.

Do you agree? Why or why not?

We do not agree with the proposed amendment because it creates an exception to the principles in IFRS 2 and would not reflect the substance of the arrangements. We believe that if there is an obligation to deliver cash, such an obligation should always be classified as a liability.

Question 3 – Accounting for modifications that result in a change of classification for share-based payments from cash-settled to equity-settled

The IASB proposes to specify the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the following manner:

> *(a) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;*

(b) the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and
(c) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

Do you agree? Why or why not?

We agree with the proposed amendment.

Question 4 – Transition

The IASB proposes prospective application of these amendments, but also proposes to permit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.

Do you agree? Why or why not?

A majority of PASC members support the IASB proposal regarding prospective application of the proposed changes. A few members however do not agree with the proposed transition guidance and suggest that the amendments are applied retrospectively. They believe that those entities which have share-based payment programs in place will be in a position to obtain the necessary information without undue cost and effort and that the proposed rules are too complicated and will create unnecessary diversity in practise.